



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 06, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Jim Thorpe National Bank  
Charter Number 6534

12 Broadway, P.O. Box 209  
Jim Thorpe, PA 18229-0000

Office of the Comptroller of the Currency

NORTHERN PENNSYLVANIA  
60 Public Square Suite 602  
Wilkes-Barre, PA 18701

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and relevant competitive factors;
- A substantial majority of loans originated are within the bank's assessment area;
- The distribution of loans represents a reasonable penetration among borrowers of different incomes;
- The geographic distribution reflects a reasonable dispersion throughout the AA; and
- The bank has had no consumer complaints regarding its community reinvestment performance.

**SCOPE OF EXAMINATION**

This performance evaluation assesses the performance of The Jim Thorpe National Bank (JTNB). The evaluation period under the Lending Test covers the bank's performance from January 1, 2006 through September 30, 2008, as this is representative of its lending strategy since the last CRA Examination. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Therefore, we used the HMDA data from January 1, 2006 through September 30, 2008 to evaluate the bank's home loan performance.

**DESCRIPTION OF INSTITUTION**

JTNB, established in 1955, is an intrastate community bank headquartered in Jim Thorpe, Pennsylvania. As of September 30, 2008, JTNB had total assets of \$121 million and tier one capital of \$12 million. JTNB is wholly owned by JTNB Bancorp, Inc., a one-bank holding company also headquartered in Jim Thorpe, Pennsylvania. The holding company has no other operating subsidiaries.

JTNB has four branch offices, including the main office location. All branches offices have normal business hours during the week, three branch offices offer Saturday lobby hours, and two branch offices offer Saturday drive-in hours. Three of the branch offices provide customers with access to deposits through Automated Teller Machines (ATMs). In addition, JTNB has a remote, non-deposit taking ATM located at the Jim Thorpe Market. The bank did not open or close any branches during the evaluation period. The bank offers a variety of deposit and loan products and services to meet consumer and commercial banking needs. The bank's Internet website, [www.jtnb.com](http://www.jtnb.com), provides

detailed information on the products and services offered for both consumers and businesses.

As of September 30, 2008, JTNB reported \$71 million in net loans and \$96 million in total deposits. Net loans represented 59% of total assets. The primary lending product is residential mortgage loans, which is the bank's primary business focus. The bank's loan portfolio consists of residential real estate loans (72%), commercial loans (26%), and consumer loans (2%).

Competition for loans and deposits is strong. Some of JTNB's primary competitors are Mauch Chunk Trust, Harleysville National Bank and Trust, First National Bank of Palmerton, Wachovia Bank, National Association, National Penn Bank, and Lafayette Ambassador Bank.

There are no legal, financial or other factors impeding JTNB's ability to help meet the credit needs in its Assessment Area (AA). JTNB received an "Outstanding" rating on its last performance evaluation, dated March 28, 2002.

## DESCRIPTION OF ASSESSMENT AREA

JTNB has one assessment area (AA) within the state of Pennsylvania. The AA includes all of Carbon County, which is a part of the Allentown-Bethlehem-Easton, PA MSA 10900. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The following describes the demographics of the AA:

Demographic Information for the Carbon County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	10	0.00	60.00	40.00	0.00
Population by Geography	58,802	0.00	59.29	40.71	0.00
Owner-Occupied Housing by Geography	18,525	0.00	57.94	42.06	0.00
Businesses by Geography	3,532	0.00	56.99	43.01	0.00
Farms by Geography	98	0.00	36.73	63.27	0.00
Family Distribution by Income Level	16,441	25.34	26.80	25.44	22.41
Household Distribution by Income Level	8,573	0.00	62.35	37.65	0.00
Census Median Family Income (MFI)		53,852	Median Housing Value		81,799
HUD-Adjusted MFI: 2008		65,800	Unemployment Rate		2.61%
Families Below the Poverty Level		10%			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2008 HUD updated MFI

Carbon County is primarily a rural area in the western Pocono Mountains. Over two-thirds of Carbon County is State Game Land and State Park Land. Carbon County is approximately 90 miles northeast of Philadelphia, Pennsylvania. The urbanized Lehigh

Valley is approximately 35 miles south of Jim Thorpe, and Carbon County has become the home of many commuters who work in the Allentown and Bethlehem areas. Jim Thorpe is also the county seat of Carbon County.

There are ten census tracts (CTs) in Carbon County. Six CTs are moderate-income (60%), and four CTs are middle-income (40%). There are no low-income or upper-income tracts in the AA.

The 2000 U.S. Census reported the total population of the AA at 58,802. The 2000 median income was \$53,852, and the 2008 HUD updated median family income is \$65,800. Within the AA, there are 16,441 families. Approximately 25% of the families are low-income, 26% are moderate-income, 25% are middle-income, and 22% are upper-income. Approximately 10% are below the poverty level. The median cost of housing in the AA is \$81,799.

According to the December 2008 Bureau of Labor Statistics, the unemployment rate for Carbon County was 7.2%. This rate is higher than the state unemployment rate, which was 5.9%, and the MSA unemployment rate, which was 6.1%.

As of March 30, 2008, the top five employers in the county were: Tuthill Corporation, Kovatch Partners LP, Gnaden Huetten Memorial Hospital, Vacation Charters, LTD, and the Carbon County Courthouse. By industry type and number of employees, the largest sectors of employment in the county are: health care and social assistance, local government, manufacturing, and retail trade.

Competition in the AA is strong. According to the June 30, 2008 FDIC Summary of Deposits Market Share Report, JTNB was ranked 25<sup>th</sup> out of 34 institutions in the Allentown-Bethlehem-Easton MSA with 0.68% of deposits. Wachovia Bank, National Association is ranked 1<sup>st</sup> with 49 offices and 23.99% of the deposits. Other financial institutions include: National Penn Bank with 42 offices and 12.45% of the deposits, PNC Bank, National Association with 32 offices and 11.26% of the deposits, and Lafayette Ambassador Bank with 24 offices and 11.26% of the deposits. In Carbon County, JTNB ranked 4<sup>th</sup> out of 10 institutions with 10% deposit market share. Mauch Chunk Trust is ranked 1<sup>st</sup> with 20.66% deposit market share, followed by Harleysville NB&T, who ranked 2<sup>nd</sup> with a 19.86% deposit market share.

According to the 2007 HMDA Peer Mortgage Data, 245 lenders originated HMDA loans in the AA. JTNB was ranked 8<sup>th</sup> in the AA with a market share of 3.57%. Countrywide Home Loans ranked 1<sup>st</sup> with a market share of 8.81%. Other competitors consisted of large national banks and mortgage companies, large regional banks, local community banks, and mortgage brokers with nationwide sources of funding.

We reviewed a recent community contact with an economic development organization. The organization aims to attract companies into the area in an effort to create and retain jobs for people in the community. The contact stated local banks have been involved by monetarily contributing to community development programs, by participating on the Boards of such organizations, and by serving on advisory committees for loan approvals. This contact stated a local need is for banks to become more

knowledgeable about the state and federal programs that are available for small businesses to obtain funding.

A government entity that focuses on providing affordable housing to low-income residents and families in Carbon County, PA was contacted. In particular, this entity focuses on providing affordable rental housing to families and elderly individuals in several multi-unit housing developments throughout Carbon County as well as the surrounding counties. The contact stated that credit and community development needs for the area include: funding to support affordable housing needs, particularly affordable rental housing, and loans to assist individuals in starting or maintaining small businesses, particularly small home based businesses. This contact also noted that the local banks have been responsive to local community needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

JTNB's performance is Satisfactory. JTNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. A substantial majority of JTNB's loans were made within the AA. The distribution of loans reflects reasonable penetration among borrowers of different income levels. The geographic distribution reflects a reasonable dispersion throughout the AA. All criteria of the lending test are documented below:

### **Loan-to-Deposit Ratio**

JTNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs, and the net loan-to-deposit ratio meets the standard for satisfactory performance. The bank's quarterly average net loan-to-deposit ratio over the 27 quarters since the last CRA examination was 68%. The quarterly average net loan-to-deposit ratio of similarly sized national banks located in Pennsylvania was 74% during the same 27 quarters. JTNB's quarterly average net loan-to-deposit ratio is slightly lower than the quarterly average net loan-to-deposit ratio of similarly sized national banks in Pennsylvania; however, JTNB's net loan-to-deposit ratio has been increasing and has been above 70% for the past eight quarters.

### **Lending in Assessment Area**

A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. JTNB exceeds the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 93% of the home mortgage loans were originated within the AA.

### **Lending to Borrowers of Different Incomes**

The distribution of loans reflects reasonable penetration among borrowers of different incomes, and JTNB's record of lending to borrowers of different incomes meets the

standard for satisfactory performance.

The percentage of home purchase loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home refinance loans made to low-income borrowers is lower than the percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, this performance is reasonable. Based on the 2000 U.S. census data, the median cost of housing in the MSA is \$82 thousand. The HUD updated median family income for 2008 is \$66 thousand. This means that a low-income person earns less than \$32,900. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA.

The percentage of home purchase loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA. The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The percentage of home refinance loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	25.34	11.39	26.80	34.18	25.44	16.46	22.41	37.97
Home Improvement	25.34	18.81	26.80	28.22	25.44	31.19	22.41	21.78
Home Refinance	25.34	17.57	26.80	25.00	25.44	33.11	22.41	24.32

Source: JTNB's HMDA data 1/1/06 – 9/30/08; 2000 U.S. Census data

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels, and JTNB's performance meets the standard for satisfactory performance. No conspicuous gaps or areas of low penetration were identified.

There are no low-income geographies in the AA. The percentage of home purchase loans made in moderate-income geographies exceeds the percentage of owner-occupied housing units in these geographies. The percentage of home improvement loans made in moderate-income geographies is lower than the percentage of owner-occupied housing units in these geographies. The percentage of home refinance loans made in moderate-income geographies is lower than the percentage of owner-occupied housing units in these geographies. JTNB's performance is reasonable when taking

into consideration the strong competition from larger mortgage lenders in the AA and the lack of branch office locations near four of the six moderate-income geographies.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Carbon County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	57.94	60.00	42.06	40.00	0	0
Home Improvement	0	0	57.94	51.21	42.06	48.79	0	0
Home Refinance	0	0	57.94	53.02	42.06	46.98	0	0

Source: JTNB's HMDA data 1/1/06 – 9/30/08; 2000 U.S. Census data

### **Responses to Complaints**

The bank has not received any CRA-related consumer complaints since the last CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.